DOCUMENT RESUME

ED 296 046 UD 026 244

AUTHOR Simms, Margaret C.
TITLE The Economic Well-Being of Minorities during the Reagan Years. Project Report.
INSTITUTION Urban Inst., Washington, D.C.
SPONS AGENCY Ford Foundation, New York, N.Y.; John D. and Catherine T. MacArthur Foundation, Chicago, IL.
PUB DATE Oct 84
NOTE 76p.
AVAILABLE FROM The Urban Institute, 2100 M Street, N.W., Washington, DC 20037.
PUB TYPE Reports - Research/Technical (143)

EDRS PRICE MF01 Plus Postage. PC Not Available from EDRS.
DESCRIPTORS Blacks; Family Financial Resources; *Family Income; *Federal Aid; Federal Programs; Hispanic Americans; Income; Low Income Groups; *Minority Groups; Older Adults; Public Policy; *Racial Differences; *Retrenchment; Welfare Services; Whites
IDENTIFIERS *Policy Effectiveness; *Reagan Administration

ABSTRACT

The average minority family is economically no better off than it was in 1980. While White families gained 4.1 percent in disposable income (income from all sources net of taxes) after adjusting for inflation, Black families had a decline in real disposable income of 2.1 percent, and Hispanic families had an increase of only 1 percent. The Black elderly had income gains, but not as much as the White elderly. Black unrelated individuals also had gains, and their income rose relative to that of White unrelated individuals. But Black families headed by a person under age 65 made virtually no progress between 1980 and 1984. Black families in the top 40 percent of the income distribution did not make gains comparable to those of their White counterparts. Among the factors contributing to the relative deterioration in minority family income were the following: (1) high unemployment; (2) Reagan Administration policies, which led to a more severe recession than might have occurred otherwise; (3) cuts in income support programs, which exacerbated the effects of the recession because minority families, who have lower average earnings, are more dependent on public assistance even when they are employed; and (4) cuts in programs to increase long-term earnings--employment, training, and educational programs. These outcomes could have been predicted before the policies were implemented; it is easy to understand why many claim that the Reagan Administration has been unfair to minorities. Data are presented on 22 tables. (BJV)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

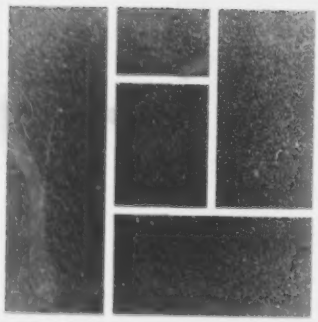
7-6-88

ED296046

THE ECONOMIC WELL-BEING OF MINORITIES DURING THE REAGAN YEARS

By

Margaret C. Simms



THE URBAN INSTITUTE

2100 M Street N.W.
Washington, D.C. 20037

Project Report

"PERMISSION TO REPRODUCE THIS MATERIAL IN MICROFICHE ONLY HAS BEEN GRANTED BY

L. Williamson
Urban Institute

TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)."

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

X This document has been reproduced as received from the person or organization originating it.

☐ Minor changes have been made to improve reproduction quality.

• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

UD026744

THE ECONOMIC WELL-BEING OF MINORITIES DURING THE REAGAN YEARS

By

Margaret C. Simms

October 1984

This paper is a product of the Changing Domestic Priorities Project which is examining the shifts that are occurring in the nation's economic and social policies under the Reagan administration. Funding for this multiyear study was provided by a consortium of foundations and corporations, principally The Ford Foundation and the John D. and Catherine T. MacArthur Foundation. Support for this paper was provided by the Carnegie Foundation.

Opinions expressed are those of the author and do not necessarily represent the view of The Urban Institute or its sponsors.

TABLE OF CONTENTS

Chapter		Page No.
	EXECUTIVE SUMMARY	iv
I	INTRODUCTION	1
	Income and Social Programs	3
	Employment	5
	The Bottom Line	5
II	CHANGES IN GOVERNMENT PROGRAMS THAT ASSIST MINORITIES	
	Changes in Human Resources Programs	7
	Changes in Income Maintenance Programs	10
	Human Capital Programs	13
	The Net Effect	16
	Changes in Other Government Programs	18
III	CHANGES IN EMPLOYMENT	19
	Changes in Employment: 1980 to 1984	19
	Changes in Public Employment	23
	Conclusions	27
IV	CHANGES IN INCOME FOR MINORITY HOUSEHOLDS	29
	Disposable Income	29
	Income by Family Type	30
	Income of the Elderly	34
	Income by Quintile	34
	Sources of Income	39
	Labor Income	39
	Rent, Dividends, and Interest	42
	Aid to Families with Dependent Children	43
	Food Stamps	44
	Social Security and Supplemental Security Income	44
	Tax Payments	46
	Federal Taxes	47
	Total Tax Liability	49
	Conclusions	49
V	SUMMARY AND CONCLUSIONS	52
	NOTES	55
	APPENDIX	61

LIST OF TABLES

Table		Page No.
1.1	Proportion of Family Income Derived from Various Sources, by Race, Ethnicity, and Sex of Householder, 1981	4
2.1	Change in Funding for Human Resources Programs and Characteristics of Program Participants, 1981	8
2.2	Characteristics of the Participant Populations in Selected Human Resources Programs, Pre-1981 and Post-1981	17
3.1	Civilian Unemployment Rates by Race and Sex, 1980 to 1984 (Seasonally Adjusted)	20
3.2	Civilian Labor Force Participation Rates by Race and Sex, 1980 to 1984 (Seasonally Adjusted)	22
3.3	Civilian Employment-Population Ratio by Race and Sex, 1980 to 1984 (Seasonally Adjusted)	24
3.4	Percentage Change in Employment by Occupation by Race and Sex, December 1979 to December 1982	25
3.5	Federal Reductions in Force by Minority Status, 1981 to 1983	28
4.1	Real Disposable Income for 1980 and 1984 for Households Headed by a Person Under Age 65 by Race (1982 Dollars)	31
4.2	Percentage Change in Real Disposable Income, 1980 and 1984, Under Reagan Versus Counterfactual Policies for Households Headed by a Person Under Age 65 by Race	33
4.3	Real Disposable Income for 1980 and 1984 for Households Headed by a Person Over Age 65 by Race (1982 Dollars)	35
4.4	Percentage Change in Real Disposable Income, 1980 and 1984, Under Reagan Versus Counterfactual Policies for Households Headed by a Person Over Age 65 by Race	36

		Page No.
4.5	Real Disposable Income for 1980 and 1984 by Quintile by Race (1982 Dollars)	38
4.6	Percentage Change in Real Disposable Income, 1980 and 1984, Under Reagan Versus Counterfactual Policies by Quintile by Race	40
4.7	Average Family Income from Various Sources, 1980 and 1984, and Percentage Change Under Reagan Versus Alternative Policies by Race (1982 Dollars)	41
4.8	Average Annual Income from Transfer Programs for Families Receiving Payments and Percentage Change Under Reagan Versus Alternative Policies by Race (1982 Dollars)	45
4.9	Percentage of Families with Income Tax Liability, 1980 and 1984, by Quintile and Race	48

Appendix Table

A.1	Percentage of Families in Each Quintile by Race, 1980 and 1984	62
A.2	Real Labor Income for 1980 and 1984 by Quintile, by Race (1982 Dollars)	63
A.3	Percentage of Families Receiving AFDC by Quintile and Race, 1980 and 1984	64
A.4	Percentage of Families Receiving Food Stamps by Quintile and Race, 1980 and 1984	65
A.5	Percentage of Families Receiving Supplemental Security Income by Quintile and Race, 1980 and 1984	66

EXECUTIVE SUMMARY

When Mr. Reagan ran for the presidency in 1980, he asked, "Are you better off today than you were four years ago?" As others have noted, that question might appropriately be asked again—at the end of President Reagan's first term in office. This question is particularly appropriate for minority groups because they have been more reliant on government assistance and protection than have nonminorities.

If the question is phrased--"Is the average minority family economically better off today than it was four years ago?--the answer must be "No." While white families gained 4.1 percent in disposable income (income from all sources net of taxes) after adjusting for inflation, black families had a decline in real disposable income of 2.1 percent and Hispanic families had an increase of only one percent. Some groups did show gains for the four-year period. The black elderly had gains in real disposable income, although they did not gain as much as the white elderly population. Black unrelated individuals also had gains, and their income rose relative to that of white unrelated individuals. But black families headed by a person under age sixty-five made virtually no progress between 1980 and 1984.

What accounts for the relative deterioration in minority family income and to what extent is it the result of President Reagan's policies? High unemployment was an important factor. The bulk of family income is derived from wages and salaries and minority workers bore a disproportionate share of the increase in unemployment between 1981 and 1982. While there is a consensus that a recession would have taken place regardless of who was in office, President Reagan's policies led to a more severe recession than might

have occurred otherwise and the cuts in income support programs did little to alleviate the effects of the recession.

Minority families are much more dependent on public assistance even when they are employed, because of lower average earnings. Modifications in low-income programs that reduced or eliminated assistance to the working poor had an adverse effect on the incomes of minorities. Low-income families failed to benefit from the president's tax cuts, because the across-the-board tax cut did not include adjustments to low-income tax credits such as the Earned Income Tax Credit and the proportion of low-income families with tax liabilities increased.

However, it was not just the losses of low-income minorities that caused minorities to fall further behind whites. Black families in the top 40 percent of the income distribution failed to make gains comparable to those made by their white counterparts. Moreover, fewer black families were able to stay in the upper part of the income distribution.

Programs designed to increase long-term earnings—employment and training and educational programs--were also cut or revised. In the case of Public Service Employment there were immediate employment losses for minority workers in some geographic areas.

While changes in human resource programs and macroeconomic policies implemented under President Reagan did not single minorities out as a target group per se, they were destined to be disproportionately affected. Minority families have lower incomes, are more likely to be headed by women, and are more susceptible to unemployment. They are more likely to be dependent on income maintenance programs even when they work. These facts were well-known when the policies were implemented and the outcomes could have been predicted,

though the magnitude was not known. When these outcomes are combined with Reagan initiatives in the areas of civil rights and equal employment opportunity, it is easy to understand why many claim that the Reagan administration has been unfair to minorities.

Chapter 1

Introduction

When Mr. Reagan ran for the presidency in 1980, he asked, "Are you better off today than you were four years ago?" As others have noted, that question might appropriately be asked again--at the end of President Reagan's first term in office.[1] This question is particularly appropriate for minority groups because they have been more reliant on government assistance and protection than have nonminorities. The range of government intervention has been fairly broad--civil rights protection, voting rights, income support, employment and training services, educational assistance, promotion of affirmative hiring practices, etc. This paper is focused on the impact of government policy on economic well-being--income, employment, and programs that provide in-kind support in the form of noncash benefits. Consideration is also given to programs designed to increase the earnings capacity of enrollees.[2]

When asked in 1981 what effect Reagan's policies would have on their financial situation, only 30 percent of nonwhites said they thought they would be better off in contrast to 52 percent of whites. The majority of nonwhites felt that President Reagan's policies would either make them somewhat worse off (34 percent) or much worse off (20 percent).[3] Mr. Reagan has claimed to be surprised that people would think he has been unfair to minorities or unconcerned with their welfare. He has maintained that his program of economic growth will be sufficient to improve the economic well-being of all groups in society.

In 1982 President Reagan articulated his philosophy with regard to the role of government in assisting minorities in a speech made to black

Republicans.[4] According to the president, the past efforts of the federal government, particularly the Great Society programs, had been failures and had actually retarded progress against poverty. Continuing poverty and high rates of unemployment were the product of the policies and programs of the late 1960s and the 1970s. In his view, the best policy for aiding minority groups was promoting economic growth and controlling inflation. These macroeconomic policies, in conjunction with incentives for business development, would do more to improve the economic condition of blacks and other minorities than the policies of past administrations.

During his first year in office, Mr. Reagan and his economic advisors predicted very high rates of economic growth as a result of his tax and budget policies. Previous research shows that if President Reagan had been able to achieve the high rates of economic growth forecast during his first year in office, the average minority family would have had higher disposable incomes (income from all sources net of taxes) than they would have had under the prior programs and low economic growth. They would, however, have had lower relative incomes compared to whites. Moreover, even under high and sustained economic growth, more minority female-headed households would have been in poverty in 1984 than in 1980 due to benefit losses not offset by increased employment opportunities.[5] However, economic growth did not proceed in an uninterrupted fashion. A severe recession led to high unemployment and unemployment rates are just returning to 1981 levels. How, then, have minorities fared over the past three years?

INCOME AND SOCIAL PROGRAMS

Minority families are much more dependent on public assistance and other government programs than white, non-Hispanic families. In 1981 white families received only 0.4 percent of their income from public assistance and welfare (2.3 percent for female-headed families). Blacks received 3.5 percent of income from public assistance (9.2 percent for female-headed families) and Hispanics received 2.4 percent of their income from this source (10.4 percent for female-headed families) (table 1.1). Because of this greater dependency, changes in public assistance and other support programs were likely to have a greater effect on minority than nonminority families and individuals.

In addition to income support, the federal government has a number of programs that can increase the earning capacity of individuals, so that they can earn a "decent income" and reduce their dependency on public support. These include educational programs designed to "break the vicious cycle of poverty" by focusing federal resources on children at the elementary and secondary level who need remedial instruction and/or educational support to improve their English language skills and student aid programs to support the pursuit of postsecondary education. At the adult level there have been programs to provide unskilled individuals with employment skills. Most of these human capital development programs were also changed or reduced under the Reagan administration. Since minority group individuals were major beneficiaries of many of these programs, these changes were also likely to affect them. Chapter 2 reviews the program changes and funding cuts in the human resource area as well as the representation of blacks and other minorities in these programs.

TABLE 1.1

PROPORTION OF FAMILY INCOME DERIVED FROM VARIOUS SOURCES, BY RACE ETHNICITY AND SEX OF HOUSEHOLDER, 1981

Source	White			Black			Hispanic[a]		
	All	Male Head	Female Head	All	Male Head	Female Head	All	Male Head	Female Head
Wage and salary	69.1	70.2	59.8	72.0	78.9	58.4	76.5	81.2	57.9
Nonfarm self-employment	5.5	5.7	3.3	1.5	2.1	—[b]	4.1	4.6	—
Farm self-employment	0.5	0.6	—[b]	—	—	—	—	—	—
Property	6.0	6.0	5.9	0.9	1.0	0.7	1.8	1.8	2.1
Transfers	10.6	9.7	18.4	14.4	10.3	22.6	10.1	7.3	23.1
Social Security and railroad	5.0	4.7	7.6	5.4	4.9	6.4	3.2	2.9	4.9
Pubic assistance and welfare	0.4	0.2	2.3	3.5	0.7	9.2	2.4	0.6	10.4
Supplemental Security Income	0.2	0.2	0.6	1.0	0.6	1.8	0.7	0.5	1.9
Retirement and annuity	3.1	3.2	2.5	1.6	1.9	1.1	1.5	1.5	—

SOURCE: Calculated from Money Icome of Households, Families, and Persons in the United States: 1981, P-60, No. 137.

a. Hispanics may be of either race.

b. Base too small to calculate.

EMPLOYMENT

Minority families also receive a slightly higher proportion of their income from wages and salaries than do white families (table 1.1). Because of their sometimes precarious position in the labor market, blacks and Hispanics tend to suffer more in recession than do non-Hispanic whites, with blacks having unemployment rates over twice as high as whites. The 1981-1982 recession was no exception. Moreover, the Reagan administration's elimination of Public Service Employment (PSE) and its emphasis on reducing the public labor force through reductions in force and other activities eliminated one of the "safe havens" that minorities had during past recessions. Throughout the post-war period public sector employment expanded, almost regardless of the rate of economic expansion. Local government employment even grew during the 1974-1975 recession.[7] Blacks have garnered a large proportion of the expansion in public sector employment and it accounted for 55 percent of black nonagricultural employment gain for the 1960-1976 period. (It was 26 percent of white employment gains).[8] By 1982 over 20 percent of all black jobs were public sector jobs. Chapter 3 examines the impact of both the recession and the reduction in the public work force on minorities.

THE BOTTOM LINE

While it is fairly easy to identify minorities as beneficiaries of public programs and public protection, it is more difficult to quantify the net impact of the changes that have taken place in the past four years--that is, "How much difference did it make?" Have blacks and Hispanics been affacted more than non-Hispanic whites in terms of economic well-being? How much were losses in some areas offset (if at all) by income tax cuts and high earnings on assets? To what extent are differential effects the result of their lower

initial income and to what extent is it a product of the particular types of program changes made? In other words, were minorities affected more than nonminorities with similar incomes? Chapter 4 examines the results from an Urban Institute simulation model in an attempt to answer these questions.

Chapter 5 summarizes the findings of the study and presents some conclusions.

Chapter 2

Changes in Government Programs That Assist Minorities

The federal government began to get involved in income support, work relief, and human capital development programs during the New Deal. Programs such as Social Security, Aid to Families with Dependent Children (AFDC), and public works jobs originated during the Great Depression era. In the 1960s and 1970s, income support programs and education, employment, and training activities were expanded and modified. They became more focused on segments of the population who were disadvantaged by reason of income, race, or family circumstances. Moreover, many programs were revised to provide increased assistance to the working poor and to encourage those on assistance to increase their work effort.[1]

Some of the programs, such as bilingual education, were designed specifically for minority groups while others were not. However, because minorities were a disproportionate percentage of those who met the eligibility criteria (low income, unemployed, single head of household, etc.), they often received benefits in excess of their representation in the general population. Any reductions or modifications in these programs were also likely to affect minorities disproportionately. However, of particular concern in evaluating the changes are: (1) which programs sustained the largest cuts, and (2) how the cuts were made--across the board or on selected groups.

CHANGES IN HUMAN RESOURCES PROGRAMS

Table 2.1 shows the extent of cuts in human resources programs as a result of changes in federal policy. These programs constitute about 50

TABLE 2.1

CHANGES IN FUNDING FOR HUMAN RESOURCES PROGRAMS
AND CHARACTERISTICS OF PROGRAM PARTICIPANTS, 1981

	Changes in Outlays from 1981 Policy Levels, 1982-1985		Characteristics of Participant Population			
			Percent of Participants (1981)			
	$ Billions	Percent of Program Outlays	White	Black	Hispanic	Total Number of Participants in 1981 (millions)
Social Security	-24.1	- 3	88.9	9.8	2.5	36.0
Supplemental Security Income	+ 1.4	+ 4	68.5	29.2	3.2	4.0
Unemployment compensation	- 7.8	- 7	77.2	17.1[a]	—[b]	8.9
AFDC	- 4.8	-13	51.7[c]	43.9	13.9[d]	3.5[e]
Food Stamps	- 7.0	-13	45.1	36.8	10.5	7.7[e]
Child Nutrition (including school lunch)	- 5.2	-28	68.1[f]	19.5[f]	10.0[f]	27.1[f]
WIC	+ 0.3	+ 4	43.8	33.4	17.6	2.4
Housing Assistance	- 1.8	- 4	85-38[g]	15-62[h]	—	2.8
Medicaid	- 3.9	- 5	53.0[c]	47.0[a]	—	21.6
Medicare	-13.2	- 5	90.3	9.7[a]	—	29.0
Compensatory education	- 2.6	-17	61.0[i]	26.0	11.0	5.3
Vocational education	- 0.6	-12	—	—	—	16.4
Student loans	- 3.8	-27	—	—	—	3.5
Other student financial assistance (including Pell Grants)	- 2.1	-13	50.5[j]	29.8	14.2	2.5
Employment and Training						
General	- 7.4	-35	40.9	44.1	10.7	1.4
Job Corps	- 0.1	- 6	31.0[k]	55.0	14.0[l]	0.1
PSE	-16.9	-99	53.7	32.7	9.7	0.6
WIN	- 0.6	-33	57.4	29.0	11.0	1.2

SOURCES: Congressional Budget Office, "Major Legislative Changes in Human Resources Programs Since January 1981," Staff Memorandum, August 1983; Bureau of the Census, Characteristics of Households Receiving Noncash Benefits: 1982, P-60, No. 141.

Additional Sources:

1. Unemployment compensation: Characteristics of Insured Unemployed for May 1981, Employment Service Report 203.
2. AFDC: Aid to Families With Dependent Children: Part I Demographic and Program Statistics, 1979, U.S. Department of Health and Human Services, Social Security Administration, Office of Policy.
3. Food Stamps: Characteristics of Food Stamp Households: August 1981, U.S. Department of Agriculture, Food and Nutrition Service, Office of Analysis and Evaluation (1982).
4. Child Nutrition: Food and Nutrition Service, Department of Agriculture.
5. WIC: "Racial and Ethnicity Participation Rates," Food and Nutrition Service Form 191.
6. Housing Assistance: U.S. Department of Housing and Urban Development MULTI Tabulations, November 18, 1983.
7. Medicaid: Health Care Financing Program Statistics: 1973-79, U.S. Department of Health and Human Services, Health Care Financing Administration, Office of Research and Demonstration, 1982.
8. Medicare: Annual Medicare Program Statistics, U.S. Department of Health and Human Services, Health Care Financing Administration, Bureau of Data Management and Strategy, 1983.
9. Education Programs: Annual Evaluation Report, Volume II, Fiscal Year 1980, U.S. Department of Education, Office of Evaluation and Program Management, 1983. Office of Student Financial Assistance, Department of Education.
10. Employment and Training: Employment and Training Report of the President, 1982 and WIN Management Information Report, Office of Work Incentive Programs, U.S. Department of Labor and U.S. Department of Health and Human Services, FY 1982.

a. Nonwhite.
b. (—) means percentages not available.
c. Data for FY 1979.
d. Hispanics are included in racial percentages.
e. Households or families.
f. School lunch only. 1980 average daily participation for school lunch. School breakfast 40 percent white, 43.4 percent black, and 13.3 percent Hispanic.
g. FY 1979. White and minority breaks vary by program.
h. All minority.
i. Data for FY 1977.
j. Data for academic year 1978-79. Includes Pell Grants (BEOGs), NDSL, CWS, SEOG.
k. Data for FY 1978.
l. Hispanic includes other minority.

percent of the federal budget and two-thirds of all nondefense spending. The dollar changes shown in the first column indicate the cuts in programs from the amounts that would have been spent during FY 1982 through FY 1985 if 1981 policies had remained in effect. The second column shows the size of the cuts in relation to total outlays in FY 1981.[2] Two programs--Supplemental Security Income (SSI) and the Women, Infants and Children program (WIC)--actually show a projected increase in real outlays over what they would have been if 1981 policies had remained in effect. Among the programs sustaining cuts, Social Security, which provides income support for the elderly, had a 3 percent cut (the lowest) while the largest cut (99 percent) was in Public Service Employment (PSE), which provided public jobs to disadvantaged individuals. On the right side of the table are minority participation rates in selected programs prior to program changes. As the table indicates, minorities (by virtue of their lower incomes) are disproportionately represented in most of these programs. It should also be noted that programs requiring an income test (means-tested), where minority participation rates are higher, were cut more than those which are not restricted to people with low incomes. For example, in Social Security, which had the lowest cut, blacks and Hispanics participate at rates at or below their representation in the population. AFDC and Food Stamps, on the other hand, where blacks and Hispanics were about one-half of the recipients, had cuts of 13 percent. The pattern is not totally consistent, however, since minorities are overrepresented in SSI, a means-tested program for the elderly that had an increase in real funding levels.

While Mr. Reagan did not get all of the cuts he requested from Congress--reductions in low-income benefit programs were one-third of the amounts requested--the pattern of the cuts was consistent with the relative cuts

requested by the president.[3] This pattern arises out of Mr. Reagan's conviction that the government's limited resources should be spent on the "truly needy," those unable to work because of age, physical condition, or maternal responsibilities (presence of children under age three). Funds should not be spent on those who can or do work, even if their incomes are inadequate, because such support discourages additional work effort on their part.

Changes in Income Maintenance Programs

A number of changes were made in both cash and in-kind benefit programs. These changes were designed both to save money and to encourage work effort. The changes in the programs for the elderly were modified primarily to preserve the solvency of the trust funds, and most changes in eligibility and benefit levels affected future beneficiaries, not those in the program at the time of the change. The programs for the nonelderly--almost all means-tested--achieved cost savings by tightening eligibility standards, thereby eliminating some recipients from the program or reducing their benefit levels and preventing others from entering the program in the future. A brief summary of changes in each program is given below.[4]

Programs for the Elderly and Disabled. In order to cut costs in Social Security programs, a number of changes were made at the margin. For those who were not themselves elderly but who received payments from Social Security, benefits were reduced. For example, benefits for college students (over age eighteen) who were survivors of covered workers were phased out and eligibility criteria for the nonelderly disabled were tightened. The minimum benefit floor was eliminated for all who were scheduled to retire after January 1, 1982, a change having its greatest impact on low-wage workers.

There was a one-time delay in the cost-of-living adjustment (COLA) in 1983, but for individuals with low incomes this was offset by an increase in SSI. Income taxes were imposed on payments when total incomes exceeded $25,000 for individuals and $32,000 for couples. Over time, the minimum age for full benefits will rise to sixty-seven. Medicare, the major health program, was not substantially changed, though changes were proposed due to rapid cost inflation in the health industry.

On the whole, programs for the elderly were not cut very much and the changes that were made probably would have been made under an alternative administration. One might predict that most of the minority elderly would not be severely affected by policy adjustments, at least in the short run.[5]

Programs for the Nonelderly. The two major cash benefit programs for the able-bodied nonelderly are unemployment compensation and AFDC. Changes were made in both programs that reduced benefits for individuals. Benefits for unemployed workers were made less generous by modifying the national trigger for extended benefits (which provides an additional thirteen weeks of benefits beyond the regular twenty-six weeks), requiring a minimum of twenty consecutive weeks of work for eligibility, and taxing benefits when total income exceeds $12,000 for an individual, down from $20,000. These changes meant that a smaller proportion of the unemployed were covered than in prior recessions. In FY 1976 about 75 percent of the unemployed were covered by unemployment compensation; in 1982 only 45 percent were covered.[6] Blacks and other minorities who are subject to more frequent and more extended spells of unemployment might be disproportionately affected by the rule changes.

The changes in AFDC primarily affected families with income from other sources. Deductions from gross income were modified, with recipients only

allowed to use the thirty dollar plus one-third of income disregard for four months of any twelve-month period. A gross income ceiling of 150 percent of the state need level was instituted and states were allowed to count Food Stamps and housing assistance as income. Children over age seventeen who are in school need not be included in benefit payments, a change that might have a disproportionate impact on blacks since black children are more likely to be enrolled in high school beyond age seventeen.

It is estimated that 400,000 to 500,000 families were eliminated from the AFDC rolls due to the "30 and 1/3 disregard" change and another 300,000 had their benefits reduced.[7] While thirty-five states used to provide benefits for dependent children to age twenty-one, now only five do. Twenty-six states provide benefits to age nineteen only.[8] While there is little evidence that people are reducing their work effort in order to come back on the rolls, the elimination of the unemployed parent (AFDC-UP) optional program in some states did seem to lead to an increased return to the rolls through divorce and desertion.[9]

Among the in-kind benefit programs, the largest short-term cuts were sustained by nutrition programs--Food Stamps and Child Nutrition programs. In these programs, eligibility limits were tightened. In the Food Stamps program, people with gross incomes over 130 percent of poverty or net incomes above poverty were excluded from the program (except for the blind, aged, and disabled). Allowable income deductions were also reduced. Consequently, about 1 to 1.2 million people were dropped from the program and virtually all remaining participants had their real benefits reduced.[10] Over one-half of 1981 program participants were minorities, so these changes might be expected to heavily affect minority families. In the child nutrition program, 3

million fewer meals per day are provided, with 1 million low-income children no longer receiving free or reduced-price lunches. Even more important for minorities, the school breakfast program is serving 500,000 fewer children. Blacks and Hispanics are 57 percent of the school breakfast program, but only 30 percent of the larger school lunch program.

Changes in health and housing programs are somewhat less drastic. The number of individuals covered by Medicaid fell; with a substantial part of the change due to the link between AFDC and Medicaid eligibility. Individuals who were eliminated from AFDC rolls due to changes in that program's rules also lost Medicaid coverage. In housing programs there was a shift from new construction to use of existing units, but these changes will have greater impact in the future because a large proportion of the payments for housing programs are influenced by past commitments. Of more immediate concern is the increase in the proportion of income to be paid by tenants from 25 percent to 30 percent of income. This will have a substantial impact on public housing tenants, over 60 percent of whom are minority.

Human Capital Programs

It might be expected that an administration that put an emphasis on self-help and work effort would place more resources in programs designed to improve job skills and labor productivity. However, both education and employment and training programs were cut over the past four years. Education programs were cut 12 to 27 percent from 1981 policy levels and most employment and training program funds were cut 33 to 99 percent from what they would have been if 1981 policies had remained in effect (Job Corps was the one exception, sustaining only a 6 percent cut).

Education Programs. The largest federal elementary and secondary education program is compensatory education (Title I, renamed Chapter 1). Although the Reagan administration did not succeed in having the program converted into a block grant with other major special population programs, funding was cut and the regulations were modified in 1981. Minority children are over one-third of the recipients of Title I/Chapter 1 funds. Changes in other smaller education programs that have a large impact on minorities are the elimination of the Emergency School Aid Act (ESAA) program and the cuts in bilingual education funding. Up to one million children have lost Chapter 1 support, and bilingual education programs support only one-half of the students they did in 1981. The Children's Defense Fund estimates that minority children lost 61.5 percent of their supplemental funding under Chapter 1 and ESAA.[11]

At the postsecondary level, the Reagan administration reversed the trend of the late 1970s and lowered eligibility ceilings for student aid programs. These changes had less of an effect on minorities than on whites, since minorities are more likely to fall under the new income ceilings. Other changes such as the reduction in the maximum size of the Pell Grant, the phasing out of the Supplemental Educational Opportunity Grant program (SEOG), and the elimination of graduate and professional education from the student loan program did have more of an impact on minorities. The effect of the program changes on minority attendance at postsecondary education may be greater than the changes might suggest. Early reports on college enrollment indicate that post-1981 enrollment by blacks declined more than it did for whites.[12].

Employment and Training Programs. The largest cut for the employment and training programs was in the Public Service Employment program (PSE). This program was eliminated in September 1981. Since nearly one-half of the participants were black or Hispanic, the effect was disproportionately borne by minorities. Approximately 400,000 jobs were eliminated (net of rehires), many of them in nonprofit institutions. The impact of the program elimination was uneven, however. Within the government sector, cities differed in their ability to rehire former PSE workers. For example, when PSE was eliminated in 1981 Chicago permanently laid off all its CETA workers (80 percent of whom were black). In New York City, on the other hand, PSE workers were hired back as regular employees.[13] The elimination of PSE affected black and other minority institutions as well. Many of them were dependent on PSE workers to serve as child care attendants and to fill other job slots in social service organizations. Many were not replaced.

The Comprehensive Employment and Training Act (CETA) was phased out and replaced by the Job Training Partnership Act (JTPA) and funding was cut by 35 percent. The WIN program for welfare mothers, which the administration proposed to fold into JTPA, was also cut by one-third. Enrollment in both of these programs was 40 to 50 percent minority. The emphasis has shifted from employment to training and stipends have been eliminated in most cases (under JTPA), making participation financially difficult for the nonwelfare poor. Moreover, some have argued that the performance standards established under JTPA will lead to more "creaming," with the most disadvantaged being turned away by program administrators.[14]

The Net Effect

Cuts in human resource programs were clearly going to affect blacks and other minorities disproportionately because of their greater dependence on government programs. The pattern of program reductions, with larger cuts in means-tested programs, meant heavier cuts in programs where minority participation was high. The more pertinent question for assessing whether minorities were unfairly treated might be--were the program changes such that blacks were more likely to be adversely affected than whites given their initial level of participation in these programs? In other words, if minorities were 40 percent of the beneficiaries in the program, were more than 40 percent of the individuals losing benefits members of minority groups? It might be hypothesized that programs which cut benefits to the working poor might disproportionately affect minorities since they earn less than nonminorities when they work, and therefore are more likely to be both working and receiving benefits.

Unfortunately the data to do a comprehensive analysis of the change in beneficiary profiles is not available. Characteristics of program participants are either not being collected on a current basis or not being collected at all. Table 2.2 provides a comparision between pre-1981 and post-1981 participation by ethnicity for programs that collect such data. Although participation in these programs by different racial/ethnic groups does vary somewhat, there are no large shifts in participation by different groups. It would appear that although minorities were more likely to be hurt than nonminorities because of their higher participation rates, there is no clear-cut evidence that they were disproportionately eliminated from program participation, given their higher initial rates of participation. In chapter 4, changes in the level of benefits received are addressed.

TABLE 2.2

CHARACTERISTICS OF THE PARTICIPANT POPULATIONS
IN SELECTED HUMAN RESOURCES PROGRAMS,
PRE-1981 AND POST-1981

	Pre-1981[a]			Post-1981[b]		
	White	Black	Hispanic	White	Black	Hispanic
Unemployment compensation	77.2	17.1[c]		77.0 81.7	16.2[c] (1982) 15.8[c] (1983)	
AFDC	51.7	43.9	13.9	42.7	45.5	6.8
Food Stamps	45.1	36.8	10.5	50.6	35.7	10.8
WIC	43.8	33.4	17.6	45.6	31.5	17.9
Job Corps	31.0	55.0	14.0	28.5	56.0	9.2

a. Data from Table 2.1.

b. Sources: Unemployment compensation data from Characteristics of Insured Unemployed for May 1982 and 1983, Employment Service Report 203; AFDC data based on Quality Control data from October 1982-March 1983 from 46 states, Andrew C. Yoo, "Status of First Period NIQCS AFDC Data Base," Office of Family Assistance, Division of Research, Evaluation, and Statistics, paper delivered at the State Welfare and Statistics Workshop, July 29 to August 1, 1984 (unpublished); Food Stamps data, from Office of Analysis and Evaluation, Food, and Nutrition, is for percentage of households in April 1983; WIC data from "Racial and Ethnicity Participation Rates," Food and Nutrition Service Form 191; Job Corps data from Department of Labor, Job Corps Data File.

c. Nonwhite.

CHANGES IN OTHER GOVERNMENT PROGRAMS

While the emphasis in this report is on federal programs that serve individuals, it is worth noting that the Reagan administration made changes in other programs that indirectly affect minorities. These changes, added to the pattern of changes cited in this chapter, have much to do with the "image problem" Mr. Reagan has with minority groups, blacks in particular.

The conversion of many state and local programs into block grants to states and the reduced emphasis on aid to urban centers, the stronghold of black political power, tended to lower grant allocations to central cities and raise those to suburban and nonurban areas. States were given more power to allocate funds to localities and to program areas than was the case in the past. States have rarely been sympathetic to the needs of the big city poor and under the health block grants some specialized "urban type" programs such as lead-based paint and rodent control programs lost funding.[15] In the education block grant, Chapter 2, large cities were losers compared with funding received under prior programs.[16] Programs of support directly to cities were cut, with emphasis being shifted to private sector incentive programs such as enterprise zones.[17]

Many black and other minority institutions have also apparently suffered under the administration's new or revised programs. Community-based organizations have sustained large losses in funding from the elimination of CSA, CETA, and other programs.[18] Black businesses seem to be getting less assistance from the federal government through contract setasides and SBA loans.[19] On the other hand, federal funds for historically black colleges and universities increased by $19.6 million in FY 1983. However, these same institutions suffered due to cuts in student aid and new regulations barring schools with high default rates from participation in student loan programs.[20]

Chapter 3

Changes in Employment

For the average American family the bulk of income is derived from wages and salaries. Therefore, the state of the economy is an important factor in the economic well-being of Americans. During the 1980s there have been two recessions, one beginning in January 1980 and ending in July 1980 and the second beginning in July 1981 and ending in November 1982. Blacks and Hispanics tend to suffer more in recession than do non-Hispanic whites, with blacks having unemployment rates over twice as high as whites. This past recession has not been an exception. In December 1982, at the end of the recession, the civilian unemployment rate for blacks was 20.9 percent in comparison with 15.5 percent for Hispanics and 9.6 percent for whites. There were several differences in the most recent recession, however. One important difference was the decline in employment in the public sector, once viewed as a "safe haven" during periods of economic decline. This decline was particularly hard on minorities because they are more likely to work in the public sector than are nonminorities. This chapter reviews changes in overall employment and changes in employment in the public sector.

CHANGES IN EMPLOYMENT: 1980 TO 1984

When President Reagan took office in January 1981, the civilian unemployment rate was 7.5 percent. It declined slightly to 7.3 percent in July and then increased to a peak of 10.7 percent in December 1981 (table 3.1). While it seems clear that a recession would have taken place during that time period regardless of who was in office, the Reagan administration did little to alleviate the severity of the recession, seeing

TABLE 3.1

CIVILIAN UNEMPLOYMENT RATES BY RACE AND SEX,
1980 TO 1984 (SEASONALLY ADJUSTED)

	January 1980	January 1981	July 1981	December 1982	December 1983	August 1984
All Workers	6.3	7.5	7.3	10.7	8.2	7.5
Whites	5.5	6.7	6.3	9.6	7.1	6.4
Age 16 to 19	14.2	16.7	16.5	21.6	17.0	15.9
Males, age 20 and over	4.2	5.5	5.1	9.1	6.7	5.5
Females, age 20 and over	5.1	6.0	5.8	8.1	5.9	6.0
Blacks	13.0	14.4	15.0	20.9	17.8	16.0
age 16 to 19	38.2	40.9	39.0	49.1	49.0	41.7
Males, age 20 and over	10.8	11.5	12.9	20.7	15.1	14.2
Females, age 20 and over	10.5	12.2	13.3	16.7	15.9	14.1
Hispanics[a]	8.8	10.7	10.1	15.5	11.6	10.7

SOURCE: U.S. Department of Labor, Bureau of Labor Statistics, Employment and Earnings, February 1984, pp. 159-165, and September 1984, pp. 36-38.

a. Hispanics may be of either race and are included in racial totals. Data not available by sex and age.

it as a means of ridding the economy of inflation and placing faith in the 1981 federal tax and spending cuts to eventually stimulate the private sector to expand employment.

The unemployment rate for whites increased 2.9 percentage points between January 1981 and December 1982, while the rate for blacks increased 5.5 percentage points and that for Hispanics rose 4.8 percentage points. The largest increase in unemployment rates was for black adult males, a jump of 9.2 percentage points to 20.7 percent. One year after the end of the recession unemployment had declined by 2.5 percentage points to 8.2 percent. The decline in unemployment was slightly higher for blacks (3.1 percentage points) than for whites (2.5 percentage points) and much higher for Hispanics (3.9 percentage points). However, at the end of 1983, one year after the recession had ended, the unemployment rate for blacks was 2.5 times that for whites, compared to a ratio of 2.2 in January 1981; for Hispanics the rate was 1.63 times that of whites, a slight increase from 1.6 in 1981. Unemployment rates continued to fall during 1984, with the black unemployment rate dropping to 16.0 percent by August and that for Hispanics was down to 10.7 percent. However, while the rate for whites is about the same as it was at the beginning of the 1981-1982 recession, rates for minorities are still above the pre-recession level and the minority/nonminority ratio has not declined.[1]

In past recessions labor force participation declined as potential workers became discouraged and withdrew from the labor force. That was not the case in this recession. Overall participation remained relatively constant over the period 1980 to 1982 and actually increased slightly between July 1981 and December 1982 (table 3.2).[2] For whites labor force participation was fairly constant for the entire period; rates for blacks and

TABLE 3.2

CIVILIAN LABOR FORCE PARTICIPATION RATES BY RACE AND SEX, 1980 TO 1984 (SEASONALLY ADJUSTED)

	January 1980	January 1981	July 1981	December 1982	December 1983	August 1984
All Workers	64.0	63.9	63.8	64.0	64.0	64.3
Whites	64.3	64.3	64.2	64.4	64.5	64.4
Age 16 to 19	61.2	59.8	58.1	56.9	57.2	55.1
Males, age 20 and over	80.2	79.7	79.5	79.1	78.9	78.6
Females, age 20 and over	50.7	51.2	51.6	52.5	52.8	53.1
Blacks	61.2	61.0	60.1	61.6	61.0	62.8
Age 16 to 19	39.5	41.1	35.4	36.8	35.6	38.9
Males, age 20 and over	75.8	74.4	73.8	75.7	74.7	75.3
Females, age 20 and over	55.5	55.6	55.7	56.6	56.2	58.3
Hispanics[a]	66.2	65.4	63.6	63.8	64.4	64.1

SOURCE: U.S. Department of Labor, Bureau of Labor Statistics, Employment and Earnings, February 1984, pp. 124-130, and September 1984, pp. 36-38.

a. Hispanics may be of either race and are included in racial totals. Data not available by sex and age.

Hispanics declined between 1980 and 1981, but were either stable or increasing over the longer recession of 1981-1982. Women continued to increase their labor force participation, though the rate for white women increased faster than that for black women, as has been the case in recent years.

As a result of increased labor force participation, the proportion of the population employed dropped only two percentage points between January 1981 and December 1982 (table 3.3). The largest overall decline in the employment-population ratio was among Hispanics, where labor force participation declined. The largest drop among the adult population was for black males, where the proportion of the population employed declined by 5.8 percentage points to 60 percent of the population group. In the first year of recovery, the employment-population ratio for the civilian population increased 1.6 percentage points. The gains for blacks and whites were about the same and gains were larger for Hispanics, but because losses during the recession were greater among minorities, they did not recover all the ground they lost until mid-1984—about six months later than whites.[3]

To some extent differences in unemployment experiences were a result of racial differences in distribution among occupations. Blue-collar employment declined 13.3 percent, with losses spread fairly evenly by race and sex (table 3.4). Nonwhite males fared worse in two occupations—transport operatives and farm workers. Among white-collar workers employment increased by 5.2 percent during the recessionary period. Gains for blacks were greater than for whites, but they were starting from a lower base.

CHANGES IN PUBLIC EMPLOYMENT

Public sector employment has been an area of expanding job opportunity for minority workers, one that grew even throughout the 1974-1975 recession.

TABLE 3.3

CIVILIAN EMPLOYMENT-POPULATION RATIO BY RACE AND SEX,
1980 TO 1984 (SEASONALLY ADJUSTED)

	January 1980	January 1981	July 1981	December 1982	December 1983	August 1984
All Workers	60.0	59.1	59.2	57.1	58.8	59.4
Whites	60.8	60.0	60.2	58.2	59.9	60.3
Age 16 to 19	52.5	49.8	48.6	44.6	47.5	46.4
Males, age 20 and over	76.8	75.3	75.4	71.9	73.6	74.2
Females, age 20 and over	48.1	48.1	48.6	48.2	49.7	49.9
Blacks	53.3	52.2	51.1	48.7	50.2	52.8
Age 16 to 19	24.4	24.3	21.6	18.7	18.2	22.7
Males, age 20 and over	67.6	65.8	64.2	60.0	63.4	64.6
Females, age 20 and over	49.7	48.8	48.3	47.2	47.3	50.1
Hispanics[a]	60.4	58.4	57.2	53.9	56.9	57.2

SOURCE: U.S. Department of Labor, Bureau of Labor Statistics, Employment and Earnings, February 1984, pp. 142-148, and September 1984, pp. 36-38.

a. Hispanics may be of either race and are included in racial totals. Data not available by sex and age.

TABLE 3.4

PERCENTAGE CHANGE IN EMPLOYMENT BY OCCUPATION
BY RACE AND SEX, DECEMBER 1979 TO DECEMBER 1982

	Change by Employment						
		White			Black and Other		
Occupation	Total	Total	Male	Female	Total	Male	Female
White-collar Workers	5.2	4.8	3.7	5.7	9.8	11.5	8.7
Professional and technical	10.0	9.6	6.8	13.1	14.1	23.9	6.5
Managers and administrators	8.4	8.6	5.7	17.4	4.1	-2.4	18.8
Sales workers	2.4	1.9	1.6	2.2	11.6	14.6	9.2
Clerical	0.2	-0.7	-6.6	0.7	8.0	5.9	8.6
Blue-collar Workers	-13.3	-13.3	-13.2	-14.1	-13.3	-13.6	-12.5
Craft and kindred	-10.8	-11.1	-12.2	6.6	-7.5	-9.6	24.6
Transport operatives	-10.7	-9.5	-9.5	-10.1	-17.2	-19.0	11.4
Operatives (except transport)	-20.0	-20.4	-20.2	-20.7	-18.1	-21.7	-14.0
Nonfarm laborers	-6.2	-5.8	-6.9	2.4	-7.9	-4.3	-32.1
Service workers	3.5	3.3	4.3	2.7	4.6	11.4	0.8
Farm workers	1.0	2.6	1.7	7.7	-14.9	-20.0	15.6

SOURCE: Bawden, "The Distribution of Employment and Unemployment in the 1980-1982 Recessions."

During the post-World War II period, black representation in the public sector grew from 8.5 percent in 1950 to 16.5 percent in 1982. While government employment was only 8.5 percent of all black employment in 1950, it was 21.4 percent in 1982.[4] Between 1970 and 1976, the public sector accounted for 55 percent of black gains in nonagricultural employment but only 26 percent of white employment gains.[5]

Between 1980 and September 1982 employment in the public sector declined about 2 percent due to the impact of decreases in federal government activity and economic recession. The bulk of the decline (80 to 90 percent) took place at the local level. In his analysis of CPS data for 1980-1981, Betsey found that a disproportionate share of the employment decline was borne by white men who were 42 percent of all government wage and salary workers but were 66 percent of those who lost jobs. Nonwhite women (9 percent of government employees in 1980) were 5 percent of the job losers and white women (41.5 percent of employees) were 28 percent of those leaving government jobs. Minority male employment was virtually unchanged. In 1981-1982 most of the job loss was in jobs previously held by women and most male job losses were among white males. Betsey hypothesized that part of the reason for the unexpected job loss pattern is that the first rounds of cuts took place in federally funded jobs where white men were more likely to be administrators and women served as support workers. However, the hypothesis cannot be supported or refuted since the data do not allow one to distinguish between job leavers (those possibly going to other jobs) and job losers (through reductions in force).

While the federal government employs only 17 percent of all government workers, job loss and reassignment at the federal level is much more visible

and is more directly connected to Reagan administration initiatives to reduce the size of government. Here minority dismissal and downgrades far exceed their representation in the federal work force. While minority workers are 24 percent of the work force, they were 38 percent of separations in 1982 and 34 percent in 1983 (table 3.5). Thirty-six percent of all reduction in force actions in 1982 (separations, lateral transfers, downgrading, and discontinued service retirements) and 39 percent in 1983 involved minority workers. Out of a total of 29,068 job actions between 1981 and 1983, 35.6 percent, or 10,339, involved minority workers.[6]

CONCLUSIONS

In the employment arena, minority workers have suffered a setback during the 1980s. For black workers unemployment increased from 13.0 percent in January 1980 to 20.9 percent in December 1982. Among Hispanic workers unemployment increased from 8.8 percent to 15.5 percent over the same time period. While these rates have been reduced during the recovery period, it has taken minorities longer to regain the ground lost between 1981 and 1983. In the public sector, at least at the federal level, minorities have lost jobs at rates that exceed their representation in the federal work force. Therefore, one must conclude that in the labor market minorities have fared worse than nonminorities during Mr. Reagan's first term in office.

TABLE 3.5

FEDERAL REDUCTIONS IN FORCE BY MINORITY STATUS, 1981 TO 1983[a]

	Separations	Laterals	Downgrades	Discontinued Service Retirements	Total
FY 1981					
Total Actions	3,411	2,313	1,360	N.A.	7,084
Minority workers (%)	34.7	29.6	29.7	N.A.	32.1
FY 1982					
Total Actions	7,218	3,672	3,563	1,361	15,814
Minority workers (%)	38.0	34.2	36.9	27.4	35.9
FY 1983					
Total Actions	2,062	1,438	1,935	735	6,170
Minority workers (%)	34.3	49.2	39.0	29.1	38.7
Men	19.1	21.6	21.2	16.3	18.7
Women	15.3	27.6	17.9	12.8	20.0
Nonminority workers (%)	57.9	47.5	58.4	62.7	56.2
Men	39.9	31.0	39.7	50.0	39.0
Women	17.9	16.5	18.7	12.7	17.2

SOURCE: Federal Government Service Task Force, Fiscal 1983 Reductions in Force and Fourth Quarter Survey, February 1984.

a. Data for Department of Labor not included. Data on minority workers does not include Health and Human Services.

Chapter 4

Changes in Income for Minority Households

The Reagan administration introduced a number of policy changes that had an impact on the economic well-being of individuals and families. One set of policies was macroeconomic in nature, programs designed to curb inflation and promote economic growth. Among these were tax cuts that were originally billed as supply-side policies that would promote savings and investment. In conjunction with this stimulative fiscal policy, the government pursued a tight monetary policy which resulted in high interest rates and a rather severe economic recession, with unemployment increasing to the highest levels since World War II. The tax cuts were also part of a strategy to reduce the role of government. The other side of that strategy was a concerted effort to reduce the overall size of the budget and the burden of those cuts fell heavily on means-tested benefits programs.[1]

DISPOSABLE INCOME

This chapter focuses on the overall impact of these policy changes on the incomes of families and individuals and how these effects differ by race and ethnicity. Changes in disposable income, that is income from all sources, net of tax payments, and the key components of that income are examined. This is a way of assessing the net impact of the changes in policy described in the two preceding chapters.

Disposable income and its components were estimated using the Urban Institute's TRIM model. TRIM is a computer-based model which can use existing data bases to simulate the effects of income-conditioned tax and transfer programs. The model can age the data base, using various modules that

incorporate factors such as changes in unemployment rates and shifts in the demographic composition of the population.[2] In addition to cash, some of the income measures calculated include noncash benefits in the form of Food Stamps.

Since it is somewhat meaningless to measure the changes in a vacuum, the changes for 1980 to 1984 are compared with those that might have taken place under an alternative set of policies. The major features of the counterfactual scenario are the following.[3]

1. There would have been fewer cuts in social spending. It was assumed that expenditures would have continued to grow in accordance with the program legislation and guidelines of 1980. The one exception would have been Social Security, where the solvency crisis would have led to the same policy changes.

2. There would have been a more moderate defense build-up.

3. There would have been a tax cut, adjusting for inflation, and bracket creep, but it would have been more modest than the Reagan cuts.

4. There would have been less fiscal stimulus, a more expansionary monetary policy, and lower interest rates, resulting in a milder recession and more inflation.

Income by Family Type

Changes in federal policy have different impacts on families of different types, due to their differential reliance on labor and nonlabor sources of income and the returns to their labor income. In the first part of our analysis we examined mean or average disposable income (including the value of Food Stamp benefits) by family type for whites and blacks, separately for households headed by a person under age sixty-five and those headed by a person over age sixty-five. Table 4.1 shows 1980 and estimated 1984 disposable income for households headed by individuals under age sixty-five.

TABLE 4.1

REAL DISPOSABLE INCOME FOR 1980 AND 1984
FOR HOUSEHOLDS HEADED BY A PERSON UNDER AGE 65
BY RACE (1982 dollars)

Household Type	Disposable Income[a] 1980	Disposable Income[a] 1984	Change in Disposable Income Dollars	Change in Disposable Income Percent
All Families	21,042	21,569	527	2.5
White	21,768	22,432	664	3.1
Black	15,232	14,795	437	-2.9
Black/white ratio	70.0	66.0	—	—
Couples With One Earner	21,704	22,111	407	1.9
White	21,959	22,509	550	2.5
Black	17,243	15,181	-2,062	-12.0
Black/white ratio	78.5	67.4	—	—
Couples With Two Earners	23,999	25,032	1,033	4.3
White	24,219	25,333	1,114	4.6
Black	21,358	21,489	131	0.6
Black/white ratio	88.2	84.8	—	—
Female-headed	12,215	11,812	-403	-3.3
White	13,202	12,806	-396	-3.0
Black	9,976	9,618	-358	-3.6
Black/white ratio	75.6	75.1	—	—
Unrelated Individuals	10,449	11,385	936	9.0
White	10,852	11,741	889	8.2
Black	7,807	8.820	1.013	13.0
Black/white ratio	71.9	75.1	—	—

SOURCE: Urban Institute household income model.

a. Includes the value of Food Stamp bonus.

In absolute terms, black families had a 2.9 percent decline in real disposable income between 1980 and 1984, in contrast to a 3.1 percent increase in real disposable income for white families.[4] Consequently, black family disposable income dropped from 70 percent to 66 percent of white family disposable income. Since black families are more likely to be headed by women, who have lower incomes than families headed by couples, an examination of income changes for different family types is quite interesting. Among female-headed families, disposable income declined by 3.3 percent, with the decline being only slightly larger for blacks than for whites. The racial contrast is much greater for families headed by a married couple. Among one-earner couples, black disposable income declined 12 percent, while that for whites increased 2.5 percent. Black-white relative income declined precipitately from 78.5 percent to 67.4 percent. Black families with two earners had a disposable income gain of only 0.6 percent compared to a 4.6 percent gain for white two-earner couples, and relative income dropped 3.4 percentage points to 84.7 percent. Only among unrelated individuals were there any significant gains in real disposable income. Unrelated individuals had an overall gain of 9.0 percent, with blacks gaining 13.0 percent—nearly 5 percent more than white individuals.

If the alternative policies had been in effect instead of those implemented by the Reagan administration, black families would have remained virtually even (losing only 0.1 percent) and white families would have had larger gains (see table 4.2). While relative black-white family income would have fallen, the drop would have been only 2.6 percentage points (from 70.0 to 67.4) instead of 4 percentage points. Black female-headed families and those headed by couples with only one earner would have fared much better under

TABLE 4.2

PERCENTAGE CHANGE IN REAL DISPOSABLE INCOME, 1980 AND 1984, UNDER REAGAN VERSUS COUNTERFACTUAL POLICIES FOR HOUSEHOLDS HEADED BY A PERSON UNDER AGE 65 BY RACE

	Reagan Scenario	Alternative Scenario	Attributable to Reagan Policies
All Families	2.5	3.3	-0.8
White	3.1	3.6	-0.5
Black	-2.9	-0.1	-2.8
Black/white income ratio	66.0	67.4	-1.4
Couples With One Earner	1.9	2.8	-0.9
White	2.5	3.4	-0.9
Black	-12.0	-8.7	-3.3
Black/white income ratio	67.4	69.3	-1.9
Couples With Two Earners	4.3	4.6	-0.3
White	4.6	4.8	-0.2
Black	0.6	2.1	-1.5
Black/white income ratio	84.8	86.0	-1.2
Female-headed	-3.3	-0.5	-2.8
White	-3.0	-0.8	-2.2
Black	-3.6	0.9	-4.5
Black/white income ratio	75.1	76.8	-1.7
Unrelated Individuals	9.0	9.8	-0.8
White	8.2	8.9	-0.7
Black	13.0	15.1	-2.1
Black/white ratio	75.1	-76.0	-0.9

SOURCE: Urban Institute household income model.

alternative policies and the two groups that have gained under Reagan policies (two-earner couples and individuals) would have gained 0.9 to 2.0 percent more in terms of disposable income.

Income of the Elderly

The elderly population fared much better under the four years of Reagan policies than did the nonelderly (table 4.3). Families headed by a person over age sixty-five gained 9.5 percent in real disposable income and individuals gained 14.9 percent. Blacks had absolute gains, with incomes for black families headed by the elderly increasing by 3.1 percent to $11,309 and incomes for black unrelated individuals over age sixty-five going up 6.1 percent to $5,320. However, gains made by blacks were only about one-third those made by whites (in terms of percent of income), so even among the elderly the black-white income ratio fell. The decline was greatest among black individuals aged sixty-five to seventy-four where relative income declined from 64.7 percent to 58.2 percent, making them the only group for which the black-white ratio fell below 60 percent. In contrast to the nonelderly, the elderly population did better under Reagan policies than they would have under the counterfactual policies (table 4.4). Overall, elderly families had net gains of 1.2 percent in disposable income and elderly unrelated individuals had net gains of 2.1 percent. The black elderly fared better under Reagan, but again they gained less than whites did.

Income by Quintile

When average income is calculated for all families regardless of the age of head, it is clear that non-Hispanic white families have fared much better than black or Hispanic families. White families had an increase in average real disposable income of over 4 percent, Hispanics gained a mere 1 percent, and blacks lost just over 2 percent in real income.

TABLE 4.3

REAL DISPOSABLE INCOME FOR 1980 AND 1984
FOR HOUSEHOLDS HEADED BY A PERSON OVER AGE 65
BY RACE (1982 dollars)

	Disposable Income[a]		Change in Disposable Income	
	1980	1984	Dollars	Percent
Families With Head Over Age 65	16,363	17,917	1,554	9.5
White, 65 and over	16,855	18,520	1,665	9.9
Black, 65 and over	10,965	11,309	344	3.1
Black/white ratio	65.1	61.1	—	—
White, 65 to 74	17,765	19,672	1,907	10.7
Black, 65 to 74[b]	11,643	11,963	320	2.8
Black/white ratio	65.5	60.8	—	—
White, 75 and over	14,872	16,120	1,248	8.4
Black, 75 and over[b]	9,702	9,846	144	1.5
Black/white ratio	65.2	61.0	—	—
Individuals Over 65	7,382	8,482	1,100	14.9
White, 65 and over	7,639	8,797	1,158	15.2
Black, 65 and over	5,013	5,320	307	6.1
Black/white ratio	65.6	60.5	—	—
White, 65 to 74	8,146	9,357	1,211	14.9
Black, 65 to 74[b]	5,273	5,454	181	3.3
Black/white ratio	64.7	58.2	—	—
White, 75 and over	7,111	8,178	1,067	15.0
Black, 75 and over[b]	4,616	5,096	480	10.4
Black/white ratio	64.9	62.3	—	—

SOURCE: Urban Institute household income model.

a. Includes the value of Food Stamp bonus.

b. Small sample size.

TABLE 4.4

PERCENTAGE CHANGE IN REAL DISPOSABLE INCOME, 1980 AND 1984,
UNDER REAGAN VERSUS COUNTERFACTUAL POLICIES FOR
HOUSEHOLDS HEADED BY A PERSON OVER AGE 65 BY RACE

	Reagan Scenario	Alternative Scenario	Attributable to Reagan Policies
Families With Head Over Age 65	9.5	8.3	1.2
White, 65 and over	9.9	8.6	1.3
Black, 65 and over	3.1	3.7	0.6
White, 65 to 74	10.7	9.6	1.1
Black, 65 to 74[a]	2.8	3.1	0.3
White, 75 and over	8.4	6.8	1.2
Black, 75 and over[a]	1.5	2.7	1.2
Individuals Over 65	14.9	12.8	2.1
White, 65 and over	15.2	13.0	2.2
Black, 65 and over	6.1	5.8	0.3
White, 65 to 74	14.9	12.9	2.0
Black, 65 to 74[a]	3.3	3.4	-0.1
White, 75 and over	15.0	12.6	2.4
Black, 75 and over[a]	10.4	9.6	0.8

SOURCE: Urban Institute household income model.

a. Small sample size.

Since blacks tend to have lower incomes than whites, the differences in disposable income changes may be the result of blacks being distributed differently among the income classes. Therefore, we examined disposable income changes by race within each income quintile. The quintiles were constructed by dividing all families into five equal groups based on disposable incomes for all families. Table 4.5 shows disposable income by quintile for 1980 and 1984 for whites, blacks, and all nonwhites (which includes blacks and other nonwhites, primarily Asians).[5]

Families in the bottom two quintiles in 1984 had lower real disposable incomes than families in the bottom two quintiles in 1980. Families in the top two quintiles in 1984 had significantly higher incomes than upper-income families in 1980. The middle quintile showed a slight increase in disposable income (less than one percent). Therefore, part of the difference in the experience of blacks and whites has to do with their greater concentration in the bottom 40 percent of the income distribution. While just under 40 percent of white families are in the bottom two quintiles, over 60 percent of black families (and just under 60 percent of all nonwhite families) are in those lower income groups.[6] Within those two quintiles blacks fared no worse than whites; in fact, among families in the first quintile blacks sustained a smaller income decline than did whites. In the top 40 percent of the income distribution, blacks and other nonwhites did not benefit as much as whites did from Reagan policies. This was especially true in the top quintile where nonwhites had lower incomes and smaller percentage gains in disposable income. Therefore, it is not only the concentration of blacks in the lower income quintiles that explains the failure of blacks to make progress in the past four years. The fact that relatively high-income black families failed

TABLE 4.5

REAL DISPOSABLE INCOME FOR 1980 AND 1984
BY QUINTILE BY RACE (1982 dollars)

Quintile	Disposable Income[a]		Change in Disposable Income	
	1980	1984	Dollars	Percent
Bottom	6,913	6,391	-522	-7.6
White	6,969	6,418	-551	-7.9
Black	6,749	6,335	-414	-6.1
Nonwhite[b]	6,739	6,311	-428	-6.4
Second	13,391	13,163	-288	-1.7
White	13,429	13,197	-232	-1.7
Black	13,131	12,902	-229	-1.7
Nonwhite	13,149	12,952	-197	-1.5
Third	18,857	19,034	177	0.9
White	18,861	19,039	178	0.9
Black	18,809	18,945	136	0.7
Nonwhite	18,825	18,991	166	0.9
Fourth	24,886	25,724	838	3.4
White	24,875	25,725	850	3.4
Black	25,005	25,598	593	2.4
Nonwhite	25,005	25,705	700	2.8
Top	37,618	40,880	3,262	8.6
White	37,708	41,015	3,307	8.8
Black	35,670	37,503	1,833	5.1
Nonwhite	36,404	38,883	2,479	6.8
All	20,350	21,038	688	3.4
White	21,019	21,879	860	4.1
Black	14,723	14,417	-306	-2.1
Nonwhite	15,683	15,644	-39	-0.2
Hispanics[c]	15,684	15,852	168	1.1

SOURCE: Urban Institute household income model.

a. Includes the value of Food Stamp bonus.

b. Nonwhite figures include blacks.

c. Hispanics may be of any race and are included in racial totals. Disposable income for Hispanics does not include Food Stamp bonus.

to make gains comparable to those made by whites was a contributing factor in the overall decline in black family income.[7]

Under alternative policies, blacks would have gained relative to whites because the lowest quintiles would have lost much less and all but the top quintile would have gained more than they did under Reagan (see table 4.6). In other words, the alternative policies would have been more favorable to low-income and middle-income groups, where over 90 percent of black families are, and less favorable to the highest income group, where blacks and other nonwhites are less than 7 percent of the total quintile.[8]

SOURCES OF INCOME

The differences between whites and blacks in terms of gains and losses are due to both the sources of income and the changes that took place in the different types of income. More blacks depend on benefit payments as their main source of income or to supplement income from other sources. Although a slightly lower percentage of blacks and other nonwhites have labor income (and they receive lower amounts in payment for their labor), they rely on labor income for a greater proportion of their total income. Blacks receive less income from interest, dividends, and rent because they have fewer assets and smaller savings. These differences are major reasons why gross income gains by blacks were lower than those by whites.

Labor Income[9]

Between 1980 and 1984, the average labor income of black families who had any such income increased from $18,571 to $18,827 in real terms, a gain of only 1.4 percent (table 4.7). For all nonwhites the gain was from $20,095 to $20,836, a total gain of 3.7 percent and Hispanics had a gain of 2.3 percent. In comparison, labor income for white families with employed workers went up 5

TABLE 4.6

PERCENTAGE CHANGE IN REAL DISPOSABLE INCOME, 1980 AND 1984,
UNDER REAGAN VERSUS COUNTERFACTUAL POLICIES
BY QUINTILE, BY RACE

Quintile	Reagan Scenario	Alternative Scenario	Attributable to Reagan Policies
Bottom	-7.6	-3.5	-4.1
White	-7.9	-3.9	-4.0
Black	-6.1	-1.7	-4.4
Nonwhite	-6.4	-2.1	-4.3
Second	-1.7	1.3	-3.0
White	-1.7	1.2	-2.9
Black	-1.7	1.5	-3.2
Nonwhite	-1.5	1.5	-3.0
Third	0.9	2.6	-1.7
White	0.9	2.7	-1.8
Black	0.7	2.2	-1.5
Nonwhite	0.9	2.2	-1.3
Fourth	3.4	4.0	-0.6
White	3.4	4.1	-0.7
Black	2.4	3.2	-0.8
Nonwhite	2.8	3.5	-0.7
Top	8.6	7.1	1.5
White	8.8	7.1	1.7
Black	5.1	4.5	0.6
Nonwhite	6.8	6.4	0.4
All	3.4	4.0	-0.6
White	4.1	4.3	-0.2
Black	-2.1	0.6	-2.7
Nonwhite	-0.2	2.0	-2.2

SOURCE: Urban Institute household income model.

TABLE 4.7

AVERAGE FAMILY INCOME FROM VARIOUS SOURCES, 1980 AND 1984,
AND PERCENTAGE CHANGE UNDER REAGAN VERSUS ALTERNATIVE POLICIES BY RACE
(1982 DOLLARS)

	Actual Policies				Percentage Change Under Alternative Scenario	Percentage Change Attributable to Reagan Policies
	Income		Change in Income			
	1980	1984	Dollars	Percent		
Labor Income[a]						
All	26,162	27,431	1,269	4.9	11.9	-7.0
White	26,993	28,347	1,354	5.0	12.0	-7.0
Black	18,571	18,827	256	1.4	8.6	-7.2
Nonwhite[b]	20,095	20,836	741	3.7	11.3	-7.6
Hispanic[c]	20,323	20,793	470	2.3	—[d]	--
Income from Rent, Dividends, and Interest[a]						
All	2,289	2,673	384	16.8	12.7	4.1
White	2,386	2,809	433	18.1	13.6	4.5
Black	638	631	-7	-1.1	-5.7	4.5
Nonwhite[b]	995	965	-30	-3.0	-7.0	4.0
Hispanic[c]	895	1,200	305	34.1	—	--

SOURCE: Urban Institute household income model.

a. Averages for families with nonzero income only.

b. Includes blacks.

c. Hispanics may be of any race and are included in racial totals.

d. (—) means data not available.

percent, from $26,993 to $28,347. The larger gains made by whites are primarily the result of differences between blacks and whites in the upper quintiles where gains made by blacks are only one-half to two-thirds those of whites. This appears to be the result of larger increases in wages and other labor income by whites, not by relative decreases in work effort among blacks. The proportion of blacks in the upper 60 percent of the income distribution who had labor income was virtually the same in both 1980 and 1984 and the combined number of weeks worked by the family head and spouse actually increased. In the lower two quintiles blacks actually fared better than whites in terms of average labor income for those who were working, doing slightly better in 1984 than in 1980, while whites did somewhat worse, especially in the bottom quintile. However, the proportion of blacks in these two quintiles with any labor income declined more for blacks than for whites.[10] This reflects the slower reemployment rates for black workers in the post-recession period.

Under the alternative set of policies both blacks and whites would have gained more in labor income because a milder recession would have increased the number of people working. Moreover, the gains would have been more equal. Labor income for families would have increased 11.9 percent overall, with black gains two-thirds those of whites (8.6 versus 12.0 percent) as opposed to only one-fourth (1.4 versus 5.0 percent).

Rent, Dividends, and Interest

High interest rates contributed to higher incomes for families who had savings and other income-earning assets. Blacks and other nonwhites were certainly less able to take advantage of these high returns. Only one-third of blacks (38 percent of all nonwhites) had income from rent, dividends, and

interest compared to two-thirds of whites. Moreover, the average income blacks received from these sources was less than 30 percent of the income received by whites. Over the period between 1980 and 1984, the real income received by whites from rent, dividends, and interest increased 18 percent while that received by blacks decreased one percent. This differential was due to the fact that blacks in the bottom 60 percent of the income distribution tended to do somewhat worse than whites, while blacks in the top 40 percent--though receiving lower amounts of income--tended to make comparable percentage gains. When compared to what might have happened to rent, dividends, and interest income under an alternative scenario, it appears that blacks, like whites, will have fared better under Reagan policies.

Aid to Families with Dependent Children (AFDC)

Changes in the eligibility criteria and income disregards for AFDC resulted in a 9.4 percent decrease in average annual real income received from this benefit program for those families receiving AFDC benefits.[11] For blacks the declines were greater than for whites (12.2 percent versus 7.4 percent). This is not due to low income alone. Blacks at any given income level are more dependent on AFDC than whites, and at each income level the annual AFDC income for those receiving benefits declined more. Both blacks and whites would have done somewhat better under alternative policies, although real benefit payments would have declined in any case.[12] In contrast to the pattern for blacks and for non-Hispanic whites, Hispanic families had a 2 percent increase in average income from AFDC. This would suggest that these families were not also working.

Food Stamps

The Food Stamp program is one where tightening of eligibility and income disregards had the effect of directing resources more carefully to low-income groups. The average Food Stamp payment received by families remaining in the program increased 1.7 percent in real terms (see table 4.8). However, this increase in average benefits was primarily a result of the fact that the near poor, who were receiving relatively small amounts in Food Stamp benefits, were eliminated from the program. All of the gains were made by families in the lowest fifth of the income distribution, while families in the rest of the income distribution lost benefits. Moreover, the proportion of families receiving benefits declined in each quintile. Overall, the percentage of families receiving benefits dropped about one percentage point, with similar losses among all racial groups.[13] If 1980 policies had remained in effect more families would be receiving benefits. Under this counterfactual policy average payments for blacks would have been nearly 16 percent higher than in 1980 while those for whites would have been nearly 13 percent higher.

Social Security and Supplemental Security Income

Social Security, the major income support program for the elderly, is not means-tested. Instead, benefits are based on a combination of the earnings history of the individual and basic benefit levels set by Congress. The average Social Security benefit increased by 7 percent in real terms between 1980 and 1984, with average benefits for black recipients up 8.9 percent compared to 6.7 percent for whites and 7.0 percent for Hispanics (see table 4.8). Benefit levels are still lower for blacks and Hispanics, reflecting lower earnings histories, but minorities did gain ground here. Blacks and other nonwhites gained at least as much as whites at almost every level of family income.

TABLE 4.8

AVERAGE ANNUAL INCOME FROM TRANSFER PROGRAMS FOR FAMILIES RECEIVING PAYMENTS, 1980 AND 1984, AND PERCENTAGE CHANGE UNDER REAGAN VERSUS ALTERNATIVE POLICIES BY RACE (1982 DOLLARS)

	Actual Policies					
	Income		Change in Income		Percentage of Families Receiving Income	
	1980	1984	Dollars	Percent	1980	1984
AFDC Income						
All	3,775	3,420	-355	-9.4	4.6	5.1
White	3,825	3,543	-282	-7.4	3.0	3.2
Black	3,670	3,221	-449	-12.2	17.9	20.2
Nonwhite[a]	3,712	3,271	-441	-11.9	16.0	17.7
Hispanic[b]	4,622	4,713	91	2.0	11.6	13.0
Income (In-kind) From Food Stamps						
All	1,110	1,129	19	1.7	11.9	10.9
White	985	1,000	15	1.5	9.5	8.5
Black	1,395	1,411	16	1.1	30.9	30.0
Nonwhite[a]	1,402	1,404	2	0.1	28.3	27.0
Hispanic[b]	1,266	1,129	-137	-10.8	26.0	23.3
Social Security Income						
All	6,197	6,628	431	7.0	22.8	21.8
White	6,389	6,819	430	6.7	23.0	22.2
Black	4,687	5,103	416	8.9	22.3	20.2
Nonwhite[a]	4,743	5,145	402	8.5	21.1	19.2
Hispanic[b]	5,065	5,420	355	7.0	12.5	12.1
Supplemental Security Income						
All	2,304	2,638	134	5.4	3.5	3.2
White	2,554	2,647	93	3.6	2.7	2.6
Black	2,316	2,533	217	9.4	9.8	7.7
Nonwhite[a]	2,399	2,617	218	9.1	9.0	7.5
Hispanic[b]	3,226	3,204	-22	-0.7	5.8	5.9

SOURCE: Urban Institute household income model.

a. Includes blacks.

b. Hispanics may be of any race and are included in racial totals.

For elderly individuals who do not reach a minimum income level from Social Security and other sources, there is Supplemental Security Income (SSI). Under this program the elderly also made gains between 1980 and 1984, with average benefits per recipient family increasing 5.4 percent; 3.6 percent for whites and slightly over 9 percent for blacks and other nonwhites. Average benefits for Hispanics decreased slightly.

In the case of both Social Security and SSI, the elderly are about 2 percent better off under Reagan policies than they would have been under the alternative policies considered in our study. Blacks gained at least as much as whites and, in the case of SSI where a larger percent of blacks are recipients, blacks gained relatively more than whites under President Reagan. Gains from these two programs (in combination with high interest rates for assets) are the main reasons that the elderly have done so well over the past four years.[14]

TAX PAYMENTS

The amount of disposable income available to a family depends not only on the income it receives but the taxes it pays out. One of President Reagan's major campaign promises was to relieve the tax burden on the American family. The income tax reductions in the Economic Recovery Tax Act of 1981 (ERTA) were significant—tax rates were reduced, the top tax bracket was lowered from 70 to 50 percent, and an income deduction for two-earner couples were major features of the act. However, other taxes such as payroll taxes and state and local taxes increased and, in conjunction with failure to index the Earned Income Tax Credit (EITC), the standard deduction, and personal exemptions, limited the positive benefit of the federal income tax cut for some groups.

Federal Taxes

Overall, the federal income tax burden for the average American family did decline as a result of the tax cuts. For all families, federal income taxes as a percentage of total pretax income dropped from 13.9 percent in 1980 to 13.4 percent in 1984. However, these gains were not shared equally among the population. Federal income tax burdens for families in the lowest income group actually increased from 0.5 to 1.2 percent of income. More of these low-income families incurred liabilities as a result of the failure to index the EITC, the standard deduction, and the personal exemption. The percentage of the bottom quintile paying federal income taxes increased from 23 percent in 1980 to 29 percent in 1984 (table 4.9) and the average tax payment made by these families increased.

More families would also have had tax liabilities under the alternative scenario, due to the higher incomes received as a result of lower unemployment. However, among the lowest income families the proportion paying taxes would have increased by about two percentage points less than under Reagan policies, because tax provisions that benefit low-income taxpayers—the standard deduction, the earned income tax credit, personal exemptions—would have been adjusted for inflation.

While federal income tax burdens went down, payroll tax burdens increased from 4.8 percent in 1980 to 5.3 percent in 1984. Tax payments, for those who paid payroll taxes, increased 17.5 percent. For black families the increase was only 11.1 percent and for Hispanics it was 13.9 percent. One reason that minority families fared better than whites is that payroll tax increases were larger in the top 40 percent of the income distribution where fewer minority families are. Moreover, within the higher quintiles increases for black

TABLE 4.9

PERCENTAGE OF FAMILIES WITH INCOME TAX LIABILITY,
1980 AND 1984, BY QUINTILE AND RACE

Quintile	1980	1984 Actual	1984 Counterfactual
Bottom	23.0	29.2	27.2
White	24.1	30.8	28.7
Black	19.7	23.6	21.8
Nonwhite[a]	19.6	24.7	22.6
Second	77.3	81.7	81.1
White	77.4	81.9	81.3
Black	76.7	80.5	80.1
Nonwhite	77.1	80.8	80.1
Third	96.0	97.2	96.9
White	96.0	97.2	96.9
Black	95.1	97.1	96.4
Nonwhite		97.1	96.2
Fourth	99.1	99.7	99.6
White	99.2	99.6	99.6
Black	98.7	99.8	99.4
Nonwhite	95.3	99.8	99.6
Top	99.8	99.9	99.9
White	99.8	99.9	99.9
Black	99.4	100.0	100.0
Nonwhite	98.8	100.0	99.9
All	79.0	81.5	80.9
White	81.3	83.8	83.2
Black	60.4	62.9	62.3
Nonwhite	63.3	66.2	65.4
Hispanics[b]	68.8	72.1	—

SOURCE: Urban Institute household income model.

a. Nonwhite figures include blacks.

b. Hispanics may be of any race and are included in racial totals. Disposable income for Hispanics does not include Food Stamp bonus.

families were lower than for white families. This difference is probably due to the fact that more black families in these brackets have their wage incomes fairly evenly split between husband and wife. In this case, the increase in the income ceiling for Social Security taxes would affect fewer of them than would be the case for white families.

Total Tax Liability

The federal government is not the only level of government levying taxes on the American public. State and local governments also levy taxes of various types--income taxes, property taxes, and sales taxes are the most common. The "bottom line" for the family is total taxes paid to all levels of government, since cuts by one level which are offset by increases at other levels leave the family no better off in terms of disposable income. When taxes paid to all levels of government are considered, the tax liability of the average family paying taxes (that is, not including nontaxpayers) went up 5.5 percent in real terms between 1980 and 1984 from $7,130 to $7,524. That for the average black family paying taxes went down slightly from $4,008 to $3,974. Those for Hispanic families increased 4 percent from $4,554 to $4,739. Average tax burdens increased slightly for all groups.

CONCLUSIONS

Black families headed by a person under the age of sixty-five experienced a decline in real disposable income between 1980 and 1984 while white families had a modest increase in their income. The major reasons for this difference are the following.

1. Black families are more likely to be in the lowest income groups, where means-tested programs were cut for many families and the benefits of the tax program were perverse, resulting in

higher taxes for some low-income groups. Among the working poor, mostly concentrated in the second quintile, blacks have been hit from both sides--increased unemployment and lower benefit payments. In most cases, the decreases were larger for blacks than for whites. In all likelihood, this is due to the greater tendency of blacks to combine work and "welfare."

2. Black families in the top 40 percent of the income distribution failed to make gains comparable to those made by their white counterparts. Labor income increased at a rate only one-half to two-thirds that of white families. Income from assets was lower, because black families in these income classes had fewer assets. Moreover, fewer black families were able to stay in the upper income distribution. Why this is so, is not totally clear from the available evidence. Increased unemployment between 1981 and 1983 was probably a factor, and lessened concerned with affirmative action by the administration may have reduced pressures for promotions and salary increases among blacks in professional jobs.

Two groups of blacks made gains between 1980 and 1984--the elderly and nonelderly unrelated individuals. The black elderly shared in the benefits received from increased Social Security and SSI payments, but had slightly lower gains in overall disposable income than whites. Black unrelated individuals gained much more than whites in a similar situation. Why this was the case is not totally clear.

Hispanic families had a one percent increase in disposable income between 1980 and 1984, about one-fourth the gain made for whites. Although the lack

of comparable information on Hispanics prevents us from making a thorough analysis of the differences between Hispanics and non-Hispanics, it appears that Hispanics made greater gains in earned income than blacks (though less than non-Hispanic whites) and lost less in terms of transfer income.

Chapter 5

Summary and Conclusions

If the question is phrased--"Is the average minority family economically better off today than it was four years ago?"—the answer must be "No." While white families gained 4.1 percent in disposable income after adjusting for inflation, black families had a decline in real disposable income of 2.1 percent and Hispanic families had an increase of only 1 percent. Some black groups did show gains for the four-year period. The black elderly had gains in real disposable income (3.1 percent for families and 6.1 percent for individuals), although they did not gain as much as the white elderly population. Black unrelated individuals also had gains, and their income rose relative to that of white unrelated individuals. But black families headed by a person under age sixty-five made virtually no progress between 1980 and 1984. Families headed by black women lost 3.6 percent in real disposable income, slightly more than white families headed by a woman. Black families headed by a married couple with only one earner had an income decrease of 12 percent compared to a 2.5 percent increase for comparable white families. Black families with two earners gained less than one percent in disposable income while white families with two earners gained 4.6 percent.

What accounts for the deterioration in black family income and to what extent is it the result of President Reagan's policies? The following are the key factors.

1. High unemployment among minority workers was important. Blacks and Hispanics bore a disproportionate share of the increase in unemployment between 1981 and 1982 and they have lagged behind during the recovery period. While white workers have regained employment

ratios enjoyed in 1980, blacks have just reached the level they had in 1981. Black adult males, in particular, sustained heavy employment losses.

The high rates of unemployment reduced the proportion of the black population receiving labor income and is undoubtedly a factor in the sharp decline in income for black families with only one earner. While Mr. Reagan is not totally responsible for the recession, he did little to alleviate the recession and reduced programs that had provided income support in the past.

2. Because minority families have lower incomes than nonminorities (even when they work), they are more dependent on income support programs. Blacks and Hispanics constitute 25 to 50 percent of most income maintenance and in-kind benefit programs. They are much more likely to be in programs for low-income populations which had larger budget cuts. Consequently they suffered when these programs were reduced and eligibility criteria were changed. Whites in similar situations also had their benefits cut but blacks sustained greater losses, not only because of lower incomes but in some cases because they seem to be more likely to combine work and welfare. This difference is particularly noticeable in AFDC.
3. Programs designed to increase long-term earnings—employment and training and educational programs—were cut or revised. The employment programs also provided immediate employment for many minorities and the elimination of Public Service Employment had an adverse impact in some geographic areas.

4. In areas where blacks did not lose ground, they gained little or at least less than whites did. They did not benefit from high interest rates and their gains from wages, salaries, and self-employment income were much smaller than the gains made by whites. These smaller gains ironically meant that tax liabilities for blacks and other nonwhites went up less than they did for whites.

While changes in human resources programs and macroeconomic policies implemented under President Reagan did not single minorities out as a target group per se, they were destined to be disproportionately affected. Minority families have lower incomes, are more likely to be headed by women, and are more susceptible to unemployment. They are more likely to be dependent on income maintenance programs even when they work. These facts were well-known when the policies were implemented and the outcomes could have been predicted, though the magnitude was not known. When these outcomes are combined with Reagan initiatives in the areas of civil rights and equal employment opportunity, it is easy to understand why many claim that the Reagan administration has been unfair to minorities.

Notes to Chapter 1

1. John L. Goodman, Jr., Public Opinion During the Reagan Administration: Continuing Concerns, Changing Assessments (Washington, D.C.: The Urban Institute, 1983).

2. For an examination of other program and policy changes that affected minorities, see Norman C. Amaker, "Civil Rights Enforcement in the Reagan Administration," (Washington, D. C.: The Urban Institute, forthcoming), and Lynn C. Burbridge, "The Impact of Changes in Policy on the Federal Equal Employment Opportunity Effort," (Washington, D. C.: The Urban Institute, 1984).

3. Goodman, "Public Opinion," p. 26.

4. Remarks of the President at the National Republican Council Dinner," September 15, 1982.

5. Margaret C. Simms, "The Effect of 1981 Changes in Tax and Transfer Policy on the Economic Well-Being of Minorities," CDP Discussion Paper (Washington, D.C.: The Urban Institute, 1982).

6. Nonwhites includes blacks and others. Blacks were about 90 percent of the nonwhite population in 1950. Data on Hispanics is not always available since Hispanics may be of any race. When separate information is available, it is reported.

7. Charles L. Betsey, "Minority Participation in the Public Sector," report to the Sloan Foundation, November 1982.

8. Michael K. Brown, "Gutting the Great Society: Black Progress and the Budget Cuts," National Urban League Review, vol. 7, no. 1, (Winter 1982/1983).

Notes to Chapter 2

1. See John L. Palmer and Isabel V. Sawhill, eds., The Reagan Experiment (Washington, D.C: Urban Institute Press, 1982); and John L. Palmer and Isabel V. Sawhill, eds., The Reagan Record (Cambridge, Mass.: Ballinger, 1984).

2. Does not include program changes made after August 1983.

3. Palmer and Sawhill, The Reagan Record, p. 187.

4. See CDP discussion paper series for details in specific program areas.

5. Raising the minimum age for full benefits may because of racial differences in health and its impact on ability to continue working past age sixty-five.

6. Children's Defense Fund, A Children's Defense Budget: An Analysis of the President's FY 1985 Budget and Children, (Washington, D.C., 1984); and Palmer and Sawhill, The Reagan Record.

7. Palmer and Sawhill, The Reagan Record, p. 394.

8. Children's Defense Fund, Children's Defense Budget.

9. Children's Defense Fund, Children's Defense Budget.

10. Children's Defense Fund, Children's Defense Budget; and Palmer and Sawhill, The Reagan Record.

11. Children's Defense Fund, Children's Defense Budget.

12. Washington Post, "More Reliant on Aid Than Whites, Blacks Hit Harder by Cuts," December 4, 1983.

13. Michael Brown, "Gutting the Great Society," p. 22.

14. Demetra S. Nightingale, "State and Local Responses to Federal Employment and Training Policy Changes," CDP Discussion Paper (Washington, D.C.: The Urban Institute, 1984); and John M. Jeffries and Howard Stanback,

"Employment and Training Policy for Black America: Beyond Placebo to Progressive Policy," Review of Black Political Economy, volume 13, nos. 1 and 2 (Summer-Fall 1984).

15. Children's Defense Fund, Children Defense Budget.

16. Margaret C. Simms, "The Impact of Changes in Federal Elementary and Secondary Education Policy," CDP Discussion Paper (Washington, D.C.: The Urban Institute, 1984).

17. While legislation has been introduced, no enterprise zone legislation has been passed to date.

18. Demetra Smith Nightingale and Carolyn Taylor O'Brien, "The Role of Community-Based Organizations in the Job Training Partnership System," Urban Institute Project Report (Washington, D.C.: The Urban Institute, 1984). Nightingale and O'Brien report that many people with experience in these CBOs are afraid that elimination of support for CBOs will block off a major access route for blacks and other minorities to become human services professionals.

19. Isaiah J. Poole, "Are the Promises Being Kept?" Black Enterprise, October 1983.

20. Some black public institutions may have also been adversely affected by the administration's failure to enforce deadlines on implementation of state plans under Adams.

Notes to Chapter 3

1. See U.S. Department of Labor, Bureau of Labor Statistics, "Employment in Perspective: Minority Workers," Report 712, Second Quarter 1984, for additional discussion of majority/minority differences.

2. D. Lee Bawden, "The Distribution of Employment and Unemployment in the 1980-1982 Recessions." CDP Discussion Paper (Washington, D.C.: The Urban Institute, 1984).

3. Bureau of Labor Statistics, "Employment in Perspective."

4. Charles Betsey, "Minority Participation in the Public Sector."

5. Michael Brown, "Gutting the Great Society."

6. Federal Government Service Task Force, Fiscal 1983 Reductions in Force and Fourth Quarter Summary, February 1984.

Notes to Chapter 4

1. For a detailed discussion of Reagan policies in these areas, see Palmer and Sawhill, The Reagan Record.

2. For additional information on TRIM, see Margaret B. Sulvetta, An Analyst's Guide to TRIM--The Transfer Income Model (Washington, D.C.: The Urban Institute, 1976), and Randall Webb et al., "TRIM2 Reference Manual," Working Paper 3069-01 (Washington, D.C.: The Urban Institute, 1982).

3. See Chapter 10 of The Reagan Record for more detail.

4. All income and tax figures are in 1982 dollars.

5. The overall mean disposable incomes differ slightly from the previous tables because nonelderly and elderly families are combined in this analysis.

6. See appendix table A.1 for the distribution of families among quintiles by race. Families in each quintile in 1980 are not necessarily in the same quintile in 1984.

7. This difference also shows up in the decline in the proportion of the nonwhite population in the top quintile. See appendix table A.1.

8. Nonwhites are about 12 to 13 percent of all families. Blacks alone are 10.6 percent of all families and less than 5 percent of the top quintile.

9. This includes income from wages, salaries, and self-employment (both farm and nonfarm).

10. See appendix table A.2 for labor income by quintile.

11. This refers to total annual income received while on AFDC, which is equal to the monthly grant multiplied by the number of months on AFDC.

12. Percentage receiving AFDC benefits by quintile can be found in appendix table A.3.

13. See appendix table A.4 for changes in percentage of families receiving Food Stamps by quintile.

14. See appendix table A.5 for percentage of families receiving SSI by quintile.

APPENDIX

TABLE A.1

PERCENTAGE OF FAMILIES IN EACH QUINTILE, BY RACE,
1980 AND 1984

	1980	1984 Actual	1984 Counterfactual
All White Families			
Bottom	17.4	17.2	17.3
Second	20.0	19.8	19.8
Third	20.5	20.5	20.4
Fourth	21.1	20.9	21.0
Top	21.3	21.5	21.5
All Black Families			
Bottom	41.6	42.3	41.9
Second	22.2	21.8	21.8
Third	15.7	16.1	16.5
Fourth	11.9	12.8	12.7
Top	8.6	6.9	7.1
All Nonwhite Families			
Bottom	38.3	38.8	38.3
Second	21.6	21.4	21.4
Third	16.4	16.4	16.8
Fourth	12.8	13.6	13.7
Top	10.9	9.8	9.9

SOURCE: Urban Institute household income model.

TABLE A.2

REAL LABOR INCOME FOR 1980 AND 1984
BY QUINTILE, BY RACE (1982 dollars)

Quintile	Labor Income		Change in Labor Income	
	1980	1984	Dollars	Percent
Bottom	6,089	5,928	-161	-2.6
White	6,177	5,922	-255	-4.1
Black	5,823	5,859	36	0.6
Nonwhite	5,812	5,948	136	2.3
Second	14,050	13,918	-132	-0.9
White	14,171	13,995	-176	-1.2
Black	13,270	13,378	108	0.8
Nonwhite	13,355	13,488	133	1.0
Third	22,061	22,090	29	0.1
White	22,084	22,102	18	0.001
Black	21,616	21,951	335	1.5
Nonwhite	21,869	21,993	124	0.6
Fourth	30,831	31,659	828	2.7
White	30,813	31,652	839	2.7
Black	30,702	31,272	570	1.9
Nonwhite	31,038	31,728	690	2.2
Top	48,387	53,090	4,703	9.7
White	48,464	53,194	4,730	9.8
Black	46,048	48,367	2,319	5.0
Nonwhite	47,381	51,605	4,224	8.9
All	26,162	27,431	1,269	4.9
White	26,993	28,347	1,354	5.0
Black	18,571	18,827	256	1.4
Nonwhite	20,095	20,836	741	3.7

SOURCE: Urban Institute household income model.

TABLE A.3

PERCENTAGE OF FAMILIES RECEIVING AFDC
BY QUINTILE AND RACE, 1980 AND 1984

Quintile	1980	1984 Actual	1984 Counterfactual
Bottom	16.9	18.4	17.9
White	12.3	13.3	12.7
Black	32.5	35.8	35.9
Nonwhite	31.3	33.8	33.8
Second	3.4	3.7	3.9
White	2.2	2.3	2.6
Black	11.3	13.6	13.9
Nonwhite	10.8	12.3	12.5
Third	1.4	1.5	1.6
White	0.8	0.9	0.9
Black	6.5	7.0	7.3
Nonwhite	5.9	6.7	6.9
Fourth	0.8	0.9	1.2
White	0.6	0.7	0.7
Black	4.2	4.8	4.7
Nonwhite	4.0	3.9	3.7
Top	0.6	0.8	0.9
White	0.5	0.7	0.7
Black	3.5	3.7	4.2
Nonwhite	2.3	3.0	3.1
All	4.6	5.1	5.1
White	3.0	3.2	3.2
Black	17.9	20.2	20.1
Nonwhite	16.0	17.7	17.6

SOURCE: Urban Institute household income model.

TABLE A.4

PERCENTAGE OF FAMILIES RECEIVING FOOD STAMPS
BY QUINTILE AND RACE, 1980 AND 1984

Quintile	1980	1984 Actual	1984 Counterfactual
Bottom	39.6	38.6	38.6
White	35.0	33.5	33.5
Black	55.2	55.3	55.9
Nonwhite	54.0	53.6	54.1
Second	13.9	11.8	12.8
White	12.0	9.9	10.9
Black	26.7	24.3	25.4
Nonwhite	26.0	23.5	24.9
Third	4.1	3.0	3.4
White	3.6	2.7	3.0
Black	9.9	5.9	7.3
Nonwhite	8.7	5.7	6.7
Fourth	1.3	1.0	1.2
White	1.2	0.9	1.1
Black	3.4	2.7	2.2
Nonwhite	3.6	2.2	2.0
Top	0.3	0.2	0.2
White	0.3	0.2	0.3
Black	0.4	—	—
Nonwhite	1.0	—	—
All	11.9	10.9	11.2
White	9.5	8.5	8.8
Black	30.9	30.0	30.4
Nonwhite	28.3	27.0	27.4

SOURCE: Urban Institute household income model.

TABLE A.5

PERCENTAGE OF FAMILIES RECEIVING SUPPLEMENTAL SECURITY INCOME BY QUINTILE AND RACE, 1980 AND 1984

Quintile	1980	1984 Actual	1984 Counterfactual
Bottom	9.6	8.5	8.6
White	8.3	7.9	7.9
Black	14.6	10.4	10.8
Nonwhite	13.9	10.3	10.7
Second	3.5	3.6	3.6
White	2.6	2.8	2.8
Black	9.9	8.6	8.0
Nonwhite	9.6	8.6	8.0
Third	1.2	1.7	1.5
White	1.5	1.3	1.2
Black	4.9	4.8	4.3
Nonwhite	4.6	5.1	4.6
Fourth	1.5	1.0	1.1
White	1.2	0.8	0.9
Black	3.4	3.2	3.7
Nonwhite	4.1	2.9	3.2
Top	1.0	1.1	1.1
White	0.8	0.8	0.9
Black	3.7	2.6	2.5
Nonwhite	3.4	5.0	4.9
All	3.5	3.2	3.2
White	2.7	2.6	2.5
Black	9.8	7.7	7.6
Nonwhite	9.0	7.5	7.5

SOURCE: Urban Institute household income model.